

Disaster Loans: Mentor Toolkit

The ability to plan for, and respond to, disasters can protect small businesses from the threat of chaos and uncertainty when a disaster strikes. However, most small business owners have no experience in dealing with disaster planning or contingency plans. Use the information below to help guide small businesses owners through the process of preparing their business for a disaster.

▶ Disaster Preparedness Checklist - Vital Questions to Ask Business Owners

To assess a small business owner's preparedness for the threat of disasters, ask the following questions:

- ☐ Do you have insurance? If so, what does your policy cover? Is this coverage adequate?
- ☐ Are your insurance policies, financial records, etc. stored in a safe backup location?
- ☐ Have you taken and stored photos or videos of your property?
- ☐ Are you able to readily access your accounts receivable after a disaster?
- ☐ Do you have a list of your suppliers in a safe place or stored electronically?
- ☐ Do you have employee contact information available in case of an emergency?
- ☐ Have you identified backup utility options to power the business during an emergency?

▶ Frequently Asked Questions By Small Business Owners

Small business owners that have experienced, or are preparing for, a disaster will likely have a lot of questions. Below are some of their most commonly asked questions:

I already have a mortgage on my business. Can the SBA refinance my mortgage?

The SBA can refinance all or part of a previous mortgage in some cases when the applicant does not have credit available elsewhere, has suffered uninsured damage (40 percent or more of the property value), and intends to repair the damage.

How soon before I know I've been approved for a loan?

The sooner you return the completed loan application, the sooner the SBA can process it. The SBA tries to make a decision within two to three weeks. Make sure the application is complete. Missing information is a major cause of delays.

Should I wait for my insurance settlement before I file my loan application?

No. Don't miss the filing deadline by waiting for an insurance settlement. Final insurance information can be added when a settlement is made. The SBA can approve a loan for the total replacement cost, but any insurance proceeds that duplicate SBA's loan must be applied to your SBA loan.

Can I use the disaster loan to expand my business?

No. The disaster loan helps restore property to pre-disaster condition, and, under certain circumstances, protects the structure from future disasters. It cannot upgrade or expand a business unless required by local building codes.

Is collateral required for these loans?

In a Presidential declaration, physical business loans over \$25,000 must be secured to the extent possible. For Agency declarations, physical business loans over \$14,000 must be secured to the extent possible. All EIDL loans over \$25,000 must be secured to the extent possible.

Am I required to submit a personal financial statement with my loan application?

Yes. The SBA must review a financial statement for each owner and one for each partner, officer, director and stockholder with 20 percent or more ownership. The SBA requires the principals of the business to personally guarantee repayment of the loan, and in some instances to secure the loan by pledging additional collateral.

I'm a farmer, and my barns, fence, and some of my crops were damaged, as well as my home. Can I apply for SBA assistance?

You may apply for an SBA disaster loan to cover the damage to your home and its contents only. SBA cannot cover agriculture losses. Contact the U.S. Department of Agriculture for recovery assistance for your farm at www.usda.gov.

How can I register my business with FEMA?

In Presidentially declared disasters, you can begin the disaster application process by registering online with the Federal Emergency Management Agency at www.FEMA.gov, or by calling FEMA at 1-800-621-FEMA (3362).

What other resources are available to learn more about disaster planning?

Go to www.ready.gov or call 1-800-BE-READY to order or download free sample emergency plans, business preparedness checklists, and templates providing detailed business continuity and preparedness information.